

An In-Depth Evaluation of the Financial Performance of Publicly Listed Banks in the Philippines (2018-2022)

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Abstract:

The study dives into the financial performance of Philippine banks, specifically examining Return on Equity (ROE), a key metric used to gauge a company's efficiency in using investor capital to generate profits. The study also delves into various aspects, including the banks' business profiles in terms of age and size, along with their financial performance indicators such as profit margin, total asset turnover, and equity multiplier. This study adopts an ex-post facto research design, examining data from universal and commercial banks in the Philippine banks during the 2018-2022 period. The findings offer a comprehensive view of Philippine banks' financial landscape. On average, these banks have been in operation for approximately 47.61 years, with a typical size of 29.69 units. In terms of profit margin, the average stands at 10%, ranging from -7% to an impressive 232%. Total asset turnover averages at 79%, spanning from 31% to 212%. The equity multiplier has an average of 2.99, with a low of 1.51 and a high of 6.05. DuPont analysis reveals a ROE of 155%, demonstrating a significant relationship between firm size and financial performance, supported by a p-value of 0.041. This resource explains the intricacies of DuPont analysis and its connection to Return on Equity, providing a solid foundation for making more informed investment decisions for both current and prospective investors in the Philippine banking sector.

Keywords — return on assets, return on equity, net profit margin, total asset turnover, weighted average cost of capital.

I. INTRODUCTION

The global economic environment has been in constant flux, presenting banks with various challenges and alterations that impact their financial performance. DuPont analysis is a standard financial analysis tool used to evaluate a company's financial performance. DuPont analysis becomes an essential instrument for financial evaluation in this volatile environment since it provides a comprehensive perspective for examining and assessing a company's financial situation. The use of these analytical frameworks is even more significant in the Philippine environment, where the banking sector is essential to both maintaining stability and promoting economic progress.

The Philippines' banking industry is essential to economic growth and stability. Two of the classifications of banks is universal and commercial banks, which dominate the banking industry. These two are approximately 70% of the resources of the banking system. One of the most pressing issues in the Philippines' banking industry

is the impact of the COVID-19 pandemic on the financial performance of banks. The pandemic has caused significant disruptions to economic activities, increased non-performing loans, and lower interest income for banks.

Furthermore, according to Willie Tanoto, director of Fitch's Asia-Pacific financial institutions cited by Robinson (2021), Philippine banks have had to contend with a basically weaker operating

environment. The economic fallout from COVID-19 has led to sharp drops in pre-tax profits and return on equity at leading commercial banks. In 2019 the Union Bank of the Philippines' return on equity was 14.29% down to 10.99% in 2020. Further, the Bank of the Philippine Islands recorded a 10.65% in 2019 decreases to 2020, 7.75%. On the other hand, BDO Unibank declined to 7.19% in 2020, compared to 11.92% in 2019. Moreover, Metropolitan Bank and Trust Company reported a 9.07% drop of 4.19% in 2020. While the Philippine National Bank revealed a 6.3% in 2019 plunge in 2020 with 1.68% [8].

Other than that, according to Bangko Sentral ng Pilipinas, the return on equity of universal and commercial banks in the Philippines showed a gradual increase and decrease from 2021 to 2022. Union Bank of the Philippines has a 11.29% in 2021 but declined to 8.60% in 2022. Bank of the Philippines Islands recorded a 8.08% in 2021, improving to 12.46% in 2022. BDO Banks' return on equity was 9.83% in 2021 rose to 12.40% in 2022. Metropolitan Bank increased from 6.82% in 2021 and 10.15% in 2022. Lastly, the Philippine National Bank showed a decreased from 6.82% in 2022 compared to 11.56% in 2021.

The decline in the financial performance of Philippine banks highlights how urgently an in-depth study is essential to identify the fundamental causes of this situation. Although there is probable that the COVID-19 pandemic has contributed significantly to this drop, more study needs to be done to determine the precise methods by which it has affected important financial measures. It is essential to comprehend the specific ways in which the pandemic has affected banks' efficiency in order to develop measures that will effectively lessen the negative impacts and increase resilience to future uncertainty.

Therefore, this study aims to evaluate the financial performance of universal and commercial banks in the Philippines using the DuPont analysis, focusing on 2019 through 2022. As stated above, the issues and concerns the researchers want to address include the pandemic's impact on the DuPont Analysis's various components, such as return on assets, return on equity, net profit margin, and asset turnover ratio. In addition, the study will

investigate the relationship between the WACC and the financial performance of these institutions.

II. OBJECTIVES

This study aims to analyze the financial performance and cost of capital of universal and commercial banks in the Philippines using DuPont analysis and WACC. Specifically, this research seeks to answer the following questions:

1. How do the Universal and Commercial Banks in the Philippines perform with regard to the following indicators?
 - 1.1. return on assets (ROA);
 - 1.2. return on equity (ROE);
 - 1.3. net profit margin (NPM); and
 - 1.4. total asset turnover (TAT)?
2. What is the banks' weighted average cost of capital (WACC), and how does it compare across banks?
3. Is there a significant relationship between the banks' WACC and financial performance indicators measured by the DuPont analysis?
4. How does WACC affect the financial performance of universal and commercial banks in the Philippines based on the DuPont Analysis components?
5. Based on the analysis results, what kind of IEC materials can be developed to communicate the best practices and insights identified to improve the financial performance and cost of capital of universal and commercial banks in the Philippines?

III. MATERIALS AND METHODS

Ex-post facto method was considered by the researchers to accomplish the objectives of the study. The subject of this study were 42 universal and commercial banks operating in the Philippines. Metrics like total assets and revenue were examined to evaluate the importance and influence of these banks.

In the study, secondary data collection was used to explore the intricacies of financial performance in the Philippine banking industry. The data acquisition period took place largely between 2018 and 2022. Importantly, to increase the likelihood of accessing reliable and accurate information, researchers used several sources to obtain the required data. Specifically, all gathered data were

taken from the official websites of the banks under consideration or the Philippine Stock Exchange Electronic Disclosure Generation Technology (PSE EDGE), simplifying the information-gathering process.

In order to comprehensively assess and evaluate the financial performance of universal and commercial banks in the Philippines through DuPont analysis, the researchers employed the following subsequent financial ratios:

Return on Assets (ROA) = Net Income / Total Assets

Return on Equity (ROE) = Net Income / Total Common Equity

Net Profit Margin (NPM) = Net Income / Sales
 Total Asset Turnover (TAT) = Sales / Total Assets

The researchers also incorporated the use of the Weighted Average Cost of Capital (WACC) in conjunction with the following financial ratios for their DuPont Analysis. The formula for calculating WACC is as follows:

$$WACC = \frac{E}{D+E} r_e + \frac{D}{D+E} (1 - T)r_d$$

$$= (1 - L)r_e + L((1 - T)r_d)$$

Fig. 1 Weighted Average Cost of Capital Formula
 (Source: Dr. Phil Harris, 2012)

In this formula:

- E represents the total equity of the company.
- D represents the total debt in the company's capital structure.
- r_e denotes the required return on equity.
- r_d signifies the required return on debt.
- T represents the corporate tax rate.

This study utilized DuPont Analysis to examine the financial performance of universal and commercial banks in the Philippines. Statistical analyses were performed using the Statistical Package for Social Sciences (SPSS). Descriptive statistics were employed to calculate the mean and standard deviation of financial ratios. Pearson's correlation was utilized to assess the correlation between financial ratios, while regression analysis was employed to identify significant predictors of Return on Equity (ROE) through multiple linear

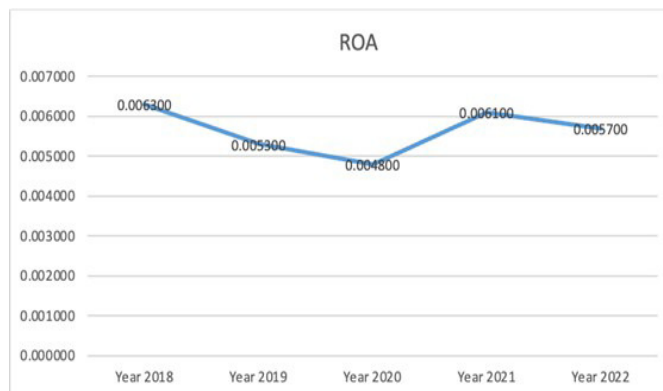
regression with ROE as the dependent variable and other financial ratios as independent variables.

IV. RESULTS AND DISCUSSION

TABLE I
 DESCRIPTIVE STATISTICS ON THE RETURN ON ASSET OF UNIVERSAL AND COMMERCIAL BANKS

Year	N	Min	Max	Mean	Std. Deviation
2018	42	-0.100000	0.040000	0.006300	0.017530
2019	42	-0.190000	0.030000	0.005300	0.031250
2020	42	-0.120000	0.040000	0.004800	0.021670
2021	42	-0.100000	0.030000	0.006100	0.018530
2022	42	-0.120000	0.030000	0.005700	0.021070
Total	210	-0.190000	0.040000	0.005700	0.022330

Fig. 2 Financial Performance of Universal and Commercial Banks in Terms of Return on Asset



Based on the table, Philippine banks have Table 1 displays the Return on Assets for 42 universal and commercial banks in the Philippines in 2018. The data ranges from a minimum of - 0.100000 to a maximum of 0.400000, with a mean of 0.006300 and a standard deviation of 0.017530. In 2019, the range of values was from -0.190000 to 0.300000, with a mean of 0.005300 and a standard deviation of 0.031250. In 2020, the range of values was from -0.120000 to 0.040000, with a mean of 0.004800 and a standard deviation of 0.21670. The figures show that from 2021 to 2022, the data fluctuated within a narrow band, varying between -

0.12 and 0.3, with means hovering around 0.006. ROA is a metric used to evaluate a company's ability to generate profits relative to its total assets, calculated by dividing net income by average assets. Based on the table, Philippine banks have maintained a consistently small ROA averaging near 0.01 over the past five years. There was diversity in ROA among banks as well, with standard deviations ranging from 0.0175 in 2018 to 0.0312 in 2019. Overall, the stats point to a slight diminishing of ROA for Philippine banks recently, as the average fell from 0.0063 in 2018 to 0.0057 in 2022.

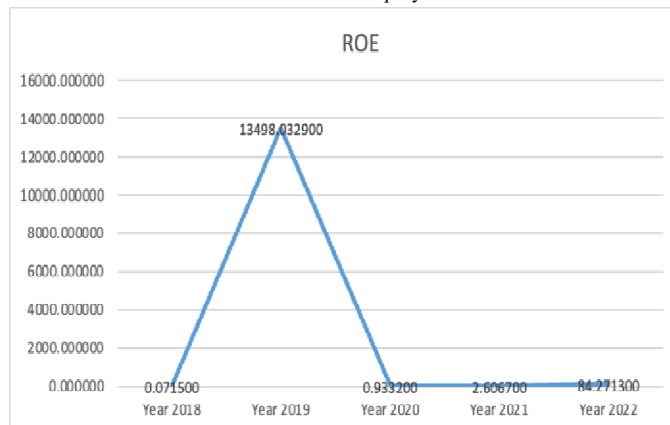
The pandemic has had major repercussions for ROA's decrease (Sohibien, et al., 2022). It could be worrisome that Philippine banks' ROA has lowered lately. However, it is crucial to remember that ROA is simply one measure of productivity. When reviewing bank performance, additional factors such as income growth and asset quality must also be taken into account [9].

TABLE II
DESCRIPTIVE STATISTICS ON THE RETURN ON EQUITY OF UNIVERSAL AND COMMERCIAL BANKS

Year	N	Min	Max	Mean	Std. Deviation
2018	42	0.460000	0.550000	0.071500	0.118490
2019	42	0.800000	566833.680000	13498.032900	87464.021240
2020	42	9.560000	45.690000	0.933200	7.229210
2021	42	1.260000	107.450000	2.606700	16.574220
2022	42	3.220000	3539.360000	84.271300	546.135400
Total	210	9.560000	566833.680000	277.183100	39114.756830

The results showed that among the five years of operation of the 42 universal and commercial banks, the total average mean is 2717.183100 with a total minimum of -9.560000 and total maximum of 566833.680000 with a total standard deviation of 39114.756830.

Fig. 3 Financial Performance of Universal and Commercial Banks in Terms of Return on Equity



According to Investopedia (2015), a higher return on equity implies that a company is effectively employing equity owners' contributions to generate additional profits and return those gains to investors at a reasonable level [4].

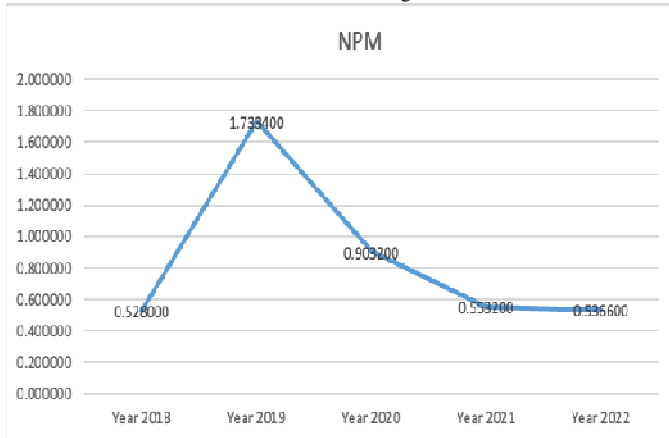
TABLE III
DESCRIPTIVE STATISTICS ON THE NET PROFIT MARGIN OF UNIVERSAL AND COMMERCIAL BANKS

Year	N	Min	Max	Mean	Std. Deviation
2018	42	0.090000	2.290000	0.528000	0.397300
2019	42	0.150000	53.640000	1.733400	8.207700
2020	42	0.070000	21.310000	0.903200	3.239060
2021	42	-0.190000	3.980000	0.553200	0.617140
2022	42	0.120000	3.730000	0.536600	0.558360
Total	210	-0.190000	53.640000	0.850900	3.956780

The data above revealed the Net Profit Margin (NPM) of Universal and Commercial Banks in the Philippines from 2018 to 2022 which uses data from 42 banks. In 2018, the NPM varied from 0.090 at its minimum value to 2.290 at its maximum value, with an average (mean) of 0.528 and a standard deviation of 0.3973. In 2019, the

NPM ranged from 0.150 as the minimum value to a significant maximum value of 53.640, with a mean of 1.7334 and a standard deviation of 8.2077, indicating notable variation.

Fig. 4 Financial Performance of Universal and Commercial Banks in Terms of Net Profit Margin



Meanwhile, during the 2020 data set it shows a minimum value of 0.070 and a maximum value of 21.310, with a mean of 0.9032 and a standard deviation of 3.2391. In 2021, the NPM values extended from -0.190 as minimum value to 3.980 as maximum value, with a mean of 0.5532 and a standard deviation of 0.6171. The negative value in 2021 suggests financial challenges for some banks. The 2022 data illustrates an NPM range from the minimum value of 0.120 to the maximum value of 3.730, with a mean of 0.5366 and a standard deviation of 0.5584. The “Total” row in the table summarizes the five-year period with an NPM range from -0.190 as the minimum value to 53.640 as the maximum value, a mean of 0.8509, and a standard deviation of 3.9568.

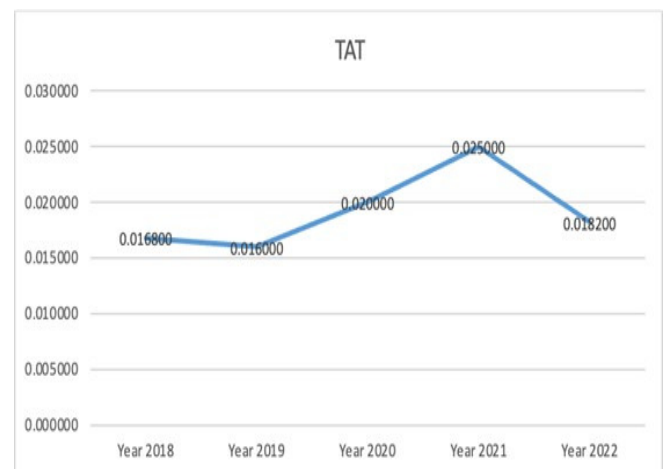
According to the study of Buzzell (2014), profit growth is crucial for business success. Consistent profit increases tend to suggest enhanced economic well-being, whereas continuous decreases potentially indicate deteriorating finances. Sound planning and executing strategies frequently lead to amplified earnings and enhanced market placement. Accordingly, targeting annual profit growth is indispensable for organizations. The examination of the NPM for Common and Commercial Banks in the Philippines from 2018 to 2022 buttresses these findings. As the table illustrates, the NPM

witnessed meaningful fluctuations across the years, emphasizing the importance of profit patterns as signs of a bank's fiscal robustness. The research, founded on information from 42 banks, furnishes a thorough comprehension of NPM tendencies and variances during the five-year period [1].

TABLE IV
 DESCRIPTIVE STATISTICS ON THE TOTAL ASSET TURNOVER OF UNIVERSAL AND COMMERCIAL BANKS

Year	N	Min	Max	Mean	Std. Deviation
2018	42	-0.140000	0.050000	0.016800	0.027190
2019	42	-0.280000	0.070000	0.016000	0.049040
2020	42	-0.160000	0.100000	0.020000	0.033860
2021	42	-0.130000	0.290000	0.025000	0.051200
2022	42	-0.170000	0.090000	0.018200	0.033300
Total	210	-0.280000	0.290000	0.019200	0.039800

Fig. 5 Financial Performance of Universal and Commercial Banks in Terms of Total Asset Turnover



Results displayed above that variability in TAT occurred between banks, with deviations extending from 0.0272 in 2018 to 0.3386 in 2020. The table also signifies Philippine bank TAT slightly declining in late years. 2022's mean of 0.0182 down from 2018's 0.0168. Share prices considerably impact a company's competence to work profitably and use holdings. This diminution in TAT, as uncovered by the analysis, proposes a potential test

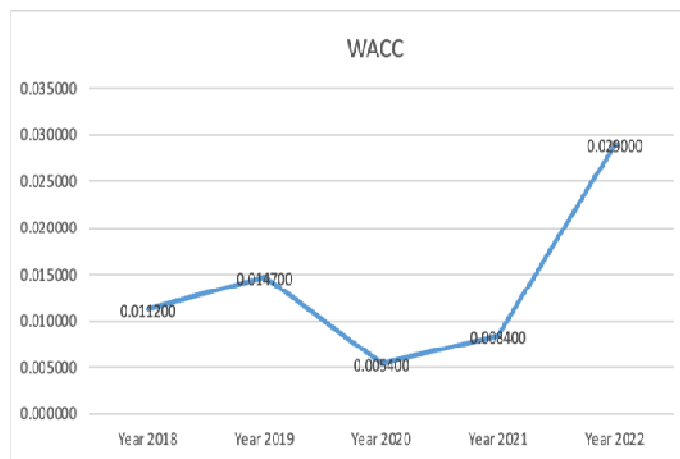
for banks in proficiently utilizing assets to build income. Grasping these fluctuations becomes critical for investors and stakeholders, allowing informed choices dependent on the evolving operational proficiency and monetary performance of banks in the Philippines.

Indeed, selecting an investment plan for a portfolio is influenced by operational proficiency (Patin, et al., 2020). This decrease stemmed from numerous elements, like the COVID-19 pandemic, heightening swelling, and mounting competition from non-bank monetary institutions. Understanding the effect of these factors on operational proficiency becomes pivotal for strategic decision-making in the banking sector, as it directly impacts investment strategies and overall portfolio administration. The evolving landscape underscores the necessity for adaptive and resilient fiscal strategies, allowing banks to navigate uncertainties and sustain operational proficiency in an ever-changing economic environment [6].

TABLE V
DESCRIPTIVE STATISTICS ON THE WEIGHTED AVERAGE COST OF CAPITAL (WACC) COMPARISON ACROSS BANKS

Year	N	Min	Max	Mean	Std. Deviat ion
2018	42	- 0.1900 00	0.130000	0.011200	0.0381 70
2019	42	- 0.2100 00	0.130000	0.014700	0.0412 60
2020	42	- 0.2500 00	0.040000	0.005400	0.0416 30
2021	42	- 0.2100 00	0.050000	0.008400	0.0377 60
2022	42	0.0000 00	0.250000	0.029000	0.0456 00
Total	210	- 0.2500 00	0.250000	0.013700	0.0413 80

Fig. 6 Bank’s Weighted Average Cost of Capita



The results indicated above showed that the weighted average cost of capital (WACC) in 2018 has a mean of 0.11200, a minimum of - 0.190000, and a maximum of 0.130000, it also has a 0.038170 standard deviation. Results show that during 2019, the recorded mean was 0.014700, bearing a - 0.210000 minimum and 0.130000 maximum, with a standard deviation of 0.014700.

Further, 2020 yielded a mean of 0.005400, a minimum value of -0.250000, a maximum value of 0.040000, and a standard deviation of 0.041630 was recorded. Meanwhile, in 2021 the results show a mean of 0.008400 with a minimum value of - 0.210000, a maximum value of 0.050000, and a standard deviation of 0.037760. Lastly in 2022, a 0.029000 mean is held, possessing 0.000000 and 0.250000 minimum and maximum results, respectively with a standard deviation of 0.045600. With this given data, the banks manage to project a total mean of 0.013700, a total minimum of - 0.250000, and a total maximum of 0.250000 with a standard deviation of 0.41350.

According to Hargrave (2023), a lower weighted average cost of capital (WACC) shows that the company is robust and may attract investors at a reduced cost. A higher WACC, on the other hand, is frequently associated with riskier enterprises that must reward investors with higher returns. In turn, the cost of capital less may positively drive investors who will tend to believe that a lower interest rate means that profitability of return on their investment is much higher in this case. However, Hargrave also notes that “a higher WACC means a company has more risk. Because of such evaluations, it might be hard for this

company to attract investors, ease operations, or otherwise hinder development” [3].

TABLE VI
 RELATIONSHIP BETWEEN THE BANKS' WACC AND FINANCIAL PERFORMANCE INDICATORS OF DUPONT ANALYSIS

WACC VS	Pearson's r	p-value	Decision on H_0	Interpretation
ROA	0.516	<0.001	Reject	Moderate Positive Correlation
ROE	-0.030	0.666	Failed to Reject	No Significant Correlation
Net Profit Margin	-0.035	0.619	Failed to Reject	No Significant Correlation
TAT	0.430	<0.001	Reject	Moderate Positive Correlation

The significant relationship between the WAAC and the financial performance indicators of the bank as measured by the DuPont analysis is exhibited in Table 6. As shown in the table, the decisions within their correlation were all rejected. However, it has shown that the two financial performance indicators in the banks were moderate positive correlation. It can be observed that the return of asset (ROA) and the total asset turnover (TAT) has the p-value of <0.001 which were interpreted as moderate positive correlation to one another.

This result corresponds with the studies conducted by Hargrave, M. (2023), It states that average assets include components such as inventory, changes in this ratio can signal that sales are slowing or growing faster than they appear in the metrics of other finance. It means that if the company's asset turnover increases, its ROE will improve. While Hargrave's study highlighted the interrelationships between financial metrics, this analysis reveals new complexities in the banking industry's balance sheet.

Changes to average holdings ricocheted across assessments of profitability and utilization. Specifically, swings in the weighted cost of funds and asset productivity, as uncovered here, lend deeper insight into the intertwined forces shaping viability and output for Philippine banks.

Sometimes short-term shifts accumulated, amplifying impacts on baseline soundness over the long-run. Other times, impacts offset or diversions emerged. The multi-layered dynamics left analysts and executives with much to disentangle and weigh for strategic planning.

TABLE VII
 EFFECT OF WACC ON THE RETURN ON ASSETS OF UNIVERSAL AND COMMERCIAL BANKS

ROA	B	Std. Error	t-value	p-value	Decision on H_0	Interpretation
Constant	0.002	0.001	1.321	0.188	Failed to Reject	Not Significant
WACC	0.279	0.032	8.674	<0.001	Reject	Significant Effect

Model Summary: R = 0.516; $R^2 = 0.267$
Regression Model: F = 75.239; p = <0.001

The study strongly corroborate the core hypothesis that WACC carries weighty consequences for ROA. Intriguing disparities in ROA manifest across Philippine banks between 2018 through 2022, aligning tellingly with how their respective WACCs undulated over the same span. Yet, we operate within an era of relentless change stirred by unforeseen crises such as COVID- 19, injecting novel volatility into a system in flux. A complete picture requires seeing how relationships shift shape against a backdrop in turmoil.

According to Dolbnya et al. (2020), Weighted Average Cost of Capital (WACC) significantly influences universal and commercial banks' financial outcomes in the Philippines specifically their Return on Assets (ROA). Namely, their exploration into how fluctuations in WACC correspond to variances in ROA for banking institutions functioning within the nation's financial sector furthers comprehending this relationship. Meanwhile, additional evaluations of WACC's impact on banks' fiscal wellness and the

productivity of their holdings continue amongst scholars considering the Philippine industry [2].

The study draws attention to the notable impact that the Weighted Average Cost of Capital carries for banks' profitability and financial standing. Upon comparing the Weighted Average Cost of Capital to the Return on Assets, it becomes clear that shifts in WACC dramatically sway a bank's ROA. A decreased weighted average cost of capital is linked to a reduced expense of procuring capital, enhancing the likelihood of higher profitability, as evidenced by an augmented return on assets.

It is crucial to acknowledge that the relationship between Weighted Average Cost of Capital and Return on Assets is intricate and variable, as numerous internal and external elements impact it. The factors encompassed in this class include economic circumstances, regulatory dynamics, and the functional proficiency of financial institutions. Hence, while the weighted average cost of capital is significant, it alone does not dictate a bank's financial performance.

as shown by the p-value, further enhances the results' credibility.

According to Robinhood (2023), return on value presents helpful insights into the importance of the Weighted common price of funds in investment research and decision making. The furnished counsel has sizeable price in comprehension its pertinence to assessing the fiscal exhibition of common and business banks in The Philippines, particularly concerning Return on value. The look emphasizes the importance of the weighted common price of funds as a pivotal measure for evaluating funding possibilities. [7].

While the weighted average cost of capital is a useful metric for evaluating investments, its application to assessing return on equity for banks involves numerous intricate considerations. ROE encapsulates an array of equity-centric factors, whereas WACC emphasizes capital structure and required rates of return. Hence, WACC serves as a pivotal concept in finance.

TABLE VIII
 EFFECT OF WACC ON THE RETURN ON EQUITY OF UNIVERSAL AND COMMERCIAL BANKS

ROE	B	Std. Error	t-value	p-value	Decision on H ₀	Interpretation
Constant	3119.531	2862.374	1.090	0.277	Failed to Reject	Not Significant
WACC	-28498.169	65830.743	-0.433	0.666	Failed to Reject	No Significant Effect

Model Summary: R = 0.030; R² = 0.001
 Regression Model: F = 0.187; p = 0.666

The table above shows the influence of the Weighted Average Cost of Capital (WACC) on the financial performance of universal and commercial banks in the Philippines, evaluated using the DuPont Analysis components. By using a robust statistical analysis technique known as Simple Linear Regression, the research presents significant findings at a 95% confidence range. The preset significance threshold of 0.05 for hypothesis testing,

TABLE IX
 EFFECT OF WACC ON THE RETURN ON EQUITY OF UNIVERSAL AND COMMERCIAL BANKS

Net Profit Margin	B	Std. Error	t-value	p-value	Decision on H ₀	Interpretation
Constant	0.898	0.290	3.102	0.002	Reject	Significant
WACC	-3.312	6.658	-0.497	0.619	Failed to Reject	No Significant Effect

Model Summary: R = 0.035; R² = 0.001
 Regression Model: F = 0.247; p = 0.619

As shown in the table, the decision within their correlation from the hypothesis statement was rejected while the other one failed to reject. It has shown that the financial performance of the universal banks in terms of the net profit margin was constant and significant.

As presented in the table, it was clear that there is no significant relationship between the WACC and the financial performance of Universal and Commercial Banks in the Philippines based on DuPont Analysis as indicated with the p-value of

0.619 which is more than 0.05. In terms of b value, a negative correlation exists given the result of -

3.312 which is far from 1 that proves that there is no linear relationship among the variables. With that, the null hypothesis failed to reject, and it is deduced that when the WACC increases, financial performance of Universal and Commercial Banks in the Philippines will decrease.

This result corresponds with the studies conducted by Uddin, K. (2022), It that the operating ratios and profitability show unsatisfactory asset turnover and net profit margin. DuPont's analysis found that the organization was inefficient in its operations and asset utilization. The study found no significant difference in financial performance between the first four years and the last four years. The study concludes that the management should focus on improving operational efficiency and asset utilization to improve profitability and maintain a healthy financial position [10].

TABLE X
 EFFECT OF WACC ON THE TOTAL ASSETS TURNOVER OF UNIVERSAL AND COMMERCIAL BANKS

TAT	B	Std . Error	t- value	p- value	Decision on Ho	Interpretation
Constant	0.014	0.003	5.182	<0.001	Reject	Significant
WACC	0.414	0.060	6.853	<0.001	Reject	Significant Effect

Model Summary: R = 0.430; R² = 0.185
Regression Model: F = 46.969; p = <0.001

As presented in the figure, it was clearly shown that there is a significant relationship between the WACC and the financial performance of Universal and Commercial Banks in the Philippines based on DuPont Analysis as indicated with the p-value of 0.001 which is less than 0.05. In terms of b value, a positive correlation exists given the 0.414 result which is closer to 1 to prove that a moderate positive linear relationship exists among the variables. With that, null hypothesis is rejected and is deduced that when the WACC increases, financial performance of Universal and Commercial

Banks in the Philippines in terms of Total Asset Turnover will increase as well.

This result, in correspondence with the study of Kumar et al. (2020), said that companies with higher TAT ratios can generate more revenue from their assets, leading to improved profitability. Weighted-Average Cost of Capital is an indispensable financial gauge that quantifies the expense of procuring financing for an enterprise. Calculating WACC provides vital insight into both a firm's capacity to fund growth and the returns expected by shareholders and lenders. While a fundamental analytic tool, accurately determining WACC proves complex, incorporating the capital structure, cost of different capital classes, and pertinent tax rates. Variations in business risk equally impact estimated costs. For managers, vigilantly monitoring shifts in WACC alerts to changing investor viewpoints and aids strategic financing decisions. Academics additionally leverage WACC calculations in valuation modeling and performance analysis. Overall, the metric serves a pivotal role in both research and practice for optimally capitalizing companies [5].

V. RECOMMENDATIONS

After the conclusions has been drawn, the following recommendations are worth considering:

1. Philippine universal and commercial banks may enhance their assessment of profitability by adopting the DuPont Analysis, a more advanced approach to assess the variables that influence their financial performance.
2. Consumers and investors are advised to exercise caution and closely monitor banks' financial practices, particularly the Weighted 3.
3. Banks may carefully monitor their Weighted Average Cost of Capital to ensure steady profits. A balanced mix of equity and debt supports stability, while shrewd assessment of market rates aids affordability. Streamlining operations and Average Cost of Capital (WACC), as the observed increase in risk during 2022 may impact returns. It is recommended to make informed decisions by assessing the risk- return trade-off when selecting banks for investments or financial engagements.
3. Banks may carefully monitor their Weighted Average Cost of Capital to ensure steady profits. A

balanced mix of equity and debt supports stability, while shrewd assessment of market rates aids affordability. Streamlining operations and preemptive hazards care supports maintaining an ideal WACC. Measures both cautious and creative buttress a bank's footing for fiscal fitness far into the future.

4. It is recommended for individual consumers to think about preferring banks with a lower Weighted Average Cost of Capital. This factor will lead to increased opportunities in obtaining loans and investing, which will eventually lower costs and positively affect the general state of one's finance.

VI. CONCLUSION

Based on the findings, the following conclusions were drawn:

1. The five-year analysis of the Philippine banks' financial performance is the decline of the Return on Assets from 0.0063 in 2018 to 0.0057 in 2022. The latter indicates the challenging situation with finance, which was highly impacted by various economic factors, including the disruption of the COVID-19 pandemic. The Return on Equity variation between the banks was more noticeable, as 2019 had the highest average at 13498.03%, while 2018 was the lowest with 0.0715 %. The next indication was the European Investment Bank's performance, as it is followed in Table 1. It is essential as it shows the level of financial performance from the different angles of the banking industry. Further, the Net Profit Margin from 2018 to 2022 varied greatly due to these factors, with the range of -0.19% in 2021 to 53.64% in 2019, stimulating financial struggles and opportunities at different times. Total Asset Turnover 2018-2022 remained relatively stable with an average of 0.0192, but the model in 2021 showed an obvious increase to 0.025 due to a very high result of CTBC Bank (Philippines) Corp in this area.

2. Majority of the banks during 2020 show low WACC that demonstrates that the banks are not paying as much for the equity and debt used to grow. However, 2022 sees a high risk, which is the investors seeking a higher return to compensate for the increased risk.

3. There is a significant relationship between the banks' WACC and financial performance indicators measured by the DuPont analysis.

4. For Return on Assets (ROA) Weighted Average Cost of Capital (WACC) significantly influences banks' financial performance however, for Return on Equity (ROE), WACC doesn't have a noteworthy impact, indicating the involvement of complex factors. In terms of Net Profit Margin, the Constant significantly affects it, while WACC doesn't play a major role. opportunities at different times. Total Asset

Turnover 2018-2022 remained relatively stable with an average of 0.0192, but the model in 2021 showed an obvious increase to 0.025 due to a very high result of CTBC Bank (Philippines) Corp in this area.

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